

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 11, 2003

In Reply Refer To:
Texas Gas Transmission Corporation
Docket No. RP02-515-001

Texas Gas Transmission Corporation
P.O. Box 20008
3800 Frederica Street
Owensboro, KY 42304

Attention: James Hendrix
Director, Rates and Regulatory

Reference: Annual Filing to Adjust Fuel Retention Percentages

Dear Mr. Hendrix:

1. On August 30, 2002, Texas Gas Transmission Corporation (Texas Gas) filed a revised tariff sheet¹ and supporting workpapers reflecting its annual rate filing to adjust its fuel retention percentages under Section 16 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff. On October 31, 2002, the Commission issued an order accepting and suspending the tariff sheet subject to refund and conditions and further review effective November 1, 2002.²

2. The October 31 order, among other things, directed Texas Gas to file information and explanations requested by Mississippi Valley Gas Company (Mississippi Valley) and ProLiance Energy, LLC (ProLiance) regarding Texas Gas's proposed Effective Fuel Retention Percentages (EFRP). On November 20, 2002, Texas Gas filed information and explanations to comply with the Commission's October 31 order. Texas Gas'

¹ Twelfth Revised Sheet No. 14 to FERC Gas Tariff, First Revised Volume No.1.

² Texas Gas Transmission Corporation, 101 FERC ¶ 61,126 (2003) (October 31 order).

November 20, 2002 filing is accepted as being in satisfactory compliance with the October 31 Order. This order benefits the public because it ensures that the proposed rates comply with the requirements of Texas Gas' tariff provisions.

3. Public notice of the November 20, 2002 filing was issued on January 16, 2003. Protests were due January 23, 2003, as provided in Section 154.210 of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2003)), all timely filed motions to intervene are granted. Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. Mississippi Valley, ProLiance and Memphis Light, Gas and Water Division (MLGW) filed comments on the filing, and ProLiance³ and MLGW requested that a technical conference be held. On December 6, 2002, Texas Gas filed supplemental comments.

4. Mississippi Valley states, in its comments, that it has concluded that the Zone 1 NNS Winter fuel retention percentages have been calculated in accordance with the methodology used consistently by Texas Gas since 1993 and that the proposed increase is largely the product of undercollections. Mississippi Valley also states that the increase in the "unaccounted for" quantity does not warrant further investigation or review at this time. Mississippi Valley expresses its gratitude to the Commission for establishing procedures that have enabled the parties in this case to examine additional data and to work together to resolve these two issues.

5. MLGW asserts, in its comments, that it appears that Texas Gas reallocates the cumulative "unaccounted for" quantities each year, even though the previous years' "unaccounted for" volumes have already been allocated and ostensibly collected from different rate schedules and zones. MGLW argues that cost causation principles prohibit the constant reallocation of past charges that have already been collected. MLGW also contends that at some time in the future, Texas Gas' current method will result in the cumulative unaccounted for volumes surpassing the actual fuel used on Texas Gas' system for any given year. MLGW argues that, if Texas Gas does not change the current manner in which it reallocates the "unaccounted for" volumes on its system, this problem will only be exacerbated in the future.

6. In its supplemental comments, Texas Gas states that MLGW's concerns are based on a misunderstanding of the method of calculating fuel. Texas Gas asserts that, as

³ On May 27, 2003, ProLiance filed a Notice of Withdrawal of Protest and Request for Technical Conference in this proceeding.

shown on Table 4 of the annual filing, the "TOTAL Over/(Under) Collections" used in the fuel calculations includes both the "Unaccounted For" and the "Calculated Over/(Under) Collections." Texas Gas further asserts that both of these pieces are determined on a cumulative basis and are netted against each other before the "TOTAL Over/(Under) Collections" are allocated. Texas Gas argues that when the "Calculated Over/(Under) Collections," also expressed on a cumulative basis, is taken into account, it is clear there is a useful portion of the Fuel Rate mechanism that is used to reduce the cumulative "Unaccounted For" gain/loss.

7. Based on the explanations and information presented by Texas Gas in its November 20, 2002 filing, as supplemented on December 6, 2002, the Commission finds that the November 20, 2002 filing is in satisfactory compliance with the October 31 order in this proceeding. Accordingly, the Commission finds that a technical conference is not necessary. The request by MLGW for a technical conference is thus denied.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: Public File
All Parties